

Research Update:

Avra Valley Fire District, AZ GO Bond Rating Raised To 'A+' From 'A' On Low Debt And Strong Reserves; Outlook Stable

May 21, 2026

Overview

- S&P Global Ratings raised its underlying rating (SPUR) on [Avra Valley Fire District](#), Arizona's general obligation (GO) bonds to 'A+' from 'A'.
- The outlook is stable.
- The one notch upgrade reflects our view of the district's low debt burden and strong reserve position that we expect to be maintained given a lack of significant capital or facilities maintenance needs that would require significant debt or reserve appropriation.

Rationale

Security

The GO bonds are payable from the proceeds of ad valorem property taxes levied on all taxable property within the boundaries of the district without limitation as to rate or amount.

Credit highlights

The rating reflects our view of the district's participation in a growing regional economy with strong tax base growth, healthy available reserves and very low debt burden with all outstanding bonds scheduled to mature by 2032. While the district's nominal reserve position is somewhat smaller than peers, we view the district's reserve size as reflective of the scope of the district's operations, and management has indicated a commitment to maintain reserves at about current levels.

Over the past several years, the district's tax base has increased consistently, underscoring an economy with robust residential and commercial development due to its advantageous location between Tucson and Phoenix. Tax-base growth has been key to supporting budget stability, given the district's reliance on property tax revenues as its primary source of revenue.

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The district's financial position remains stable, supported by a strong framework of budget monitoring and long-term planning, including maintenance of an internal five-year budget projection. The district's primary sources of revenue are property taxes, ambulance fees, and taxes received for wildland and other fire services. In addition, the district continues to apply for grants to offset a portion of its personnel costs. While property taxes could continue to grow in line with the tax base, the district's ability to adjust the levy rate is limited as the district is already levying at the maximum levy rate of \$3.75 per \$100 of assessed value.

For fiscal 2026, district management expects to outperform its initial budget projections to report stable fund balances, despite the adopted budget including a carryover contingency balance of \$1.5 million or 27% of revenue. Like many fire districts, annual operating performance is susceptible to volatility tied to capital spending and large equipment replacement needs. The district has identified one existing fire station that could be replaced in the medium term; however, management expects this project to be financed with funds tied to proposed anticipated data center projects. Considering the district has no other significant capital needs, we anticipate that the district's equipment and capital asset footprint will remain manageable with limited risk to overall budgetary balance.

The rating reflects our view of the district's:

- Growing tax base, overlapping portions of both Pima and Pinal Counties, with household incomes just below the national average and no significant tax base concentration. District officials anticipate that tax base trends will remain strong in the near-term given an existing pipeline of both residential and commercial development including large data center projects as well as a 900-acre technology park that is currently being developed.
- Stable financial performance and healthy fund balances. While available reserves are strong relative to the budget, we view the district's overall liquidity position as nominally thin albeit much improved relative to pre-pandemic levels.
- Financial and budgeting practices that are somewhat stronger than similarly sized peers albeit lacking a more robust target for available reserves. Financial practices include monthly updates on the budget and cash holdings, multiyear budget forecasting, and an informal target for carryover reserve balances (minimum of 8% in contingency funds built into budget). The district does not have formalized practices or policies in the areas of long-term capital planning, debt or investment management. We view the issuer's cyber risk mitigation measures as consistent with our view of its credit fundamentals.
- Low debt burden with all debt scheduled to mature within the next decade. Long-term fixed debt and retirement costs are manageable within the scope of the district's operating budget.
- In contrast to Arizona cities, fire districts are comparatively limited in their ability to generate self-sourced revenues due to state statutes, which can cause expenditures to outpace revenue growth in some years. This disparity in revenue structures presents challenges to financial stability and highlights the need for a more strategic approach to revenue generation and expenditure management. For more information on our institutional framework assessment for Arizona special districts, see "[Institutional Framework Assessment: Arizona Local Governments](#)," Sept. 9, 2024.

Environmental, social, and governance

We analyzed Avra Valley Fire District's environmental, social, and governance factors relative to the district's economy, financial measures, and debt and liability profile. In line with our view of other Arizona local governments, the district is exposed to natural capital risks associated with

persistent drought conditions and water-supply stress and physical climate risks such as wildfires and extreme heat exposure. We recognize the potential for these risks to negatively affect local demographic trends or demand for regional development. However, in the short-term, these risks have not posed a significant deterrence to development activity within the district. We consider the district's social and governance factors to be neutral in our credit analysis.

Outlook

The stable outlook reflects our view that the district's operating budget will remain structurally balanced, supported by rising assessed values that drive the district's primary source of revenue. In addition, we anticipate that tax base growth and the absence of substantial outstanding needs will support affordability of the district's debt burden in the near-to-medium term.

Downside scenario

If the district's operating results were to weaken, leading to material and what we think will be sustained draws on available reserves, we could lower the rating.

Upside scenario

All else equal, we could raise the rating if the district's reserves increase to and are likely to be sustained at materially higher levels and if the economy continues to expand, with economic indicators improving to levels more in line with those of higher-rated peers.

Avra Valley Fire District, Arizona--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.73
Economy	4.0
Financial performance	3
Reserves and liquidity	2
Management	2.65
Debt and liabilities	2.00

Avra Valley Fire District, Arizona--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	72	--	72	72
County PCPI % of U.S.	83	--	83	84
Market value (\$000s)	1,016,124	744,643	685,270	564,858
Market value per capita (\$)	88,359	64,752	59,589	49,118
Top 10 taxpayers % of taxable value	17.4	17.4	14.2	--
County unemployment rate (%)	4.1	3.9	3.6	3.6

Avra Valley Fire District, Arizona--key credit metrics

	Most recent	2025	2024	2023
Local median household EBI % of U.S.	84	--	84	76
Local per capita EBI % of U.S.	74	--	74	66
Local population	11,500	--	11,500	11,500
Financial performance				
Operating fund revenues (\$000s)	--	5,461	5,347	5,519
Operating fund expenditures (\$000s)	--	5,646	5,121	4,739
Net transfers and other adjustments (\$000s)	--	--	--	--
Operating result (\$000s)	--	(185)	226	780
Operating result % of revenues	--	(3.4)	4.2	14.1
Operating result three-year average %	--	5.0	8.2	10.8
Reserves and liquidity				
Available reserves % of operating revenues	--	41.2	45.5	40.0
Available reserves (\$000s)	--	2,250	2,434	2,209
Debt and liabilities				
Debt service cost % of revenues	--	10.7	4.6	5.0
Net direct debt per capita (\$)	203	203	253	161
Net direct debt (\$000s)	2,335	2,335	2,905	1,855
Direct debt 10-year amortization (%)	100	100	100	--
Pension and OPEB cost % of revenues	--	5.0	6.0	6.0
NPLs per capita (\$)	--	74	74	84
Combined NPLs (\$000s)	--	856	856	961

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

Upgraded

	To	From
Local Government		
Avra Valley Fire District, AZ Unlimited Tax General Obligation	A+/Stable	A/Stable

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The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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